

STORY NUMBER 9 - THE EDITOR IN CHIEF MAKES A MISTAKE

- WASHINGTON, D.C.

As told by William J. (Bill Kuhrt), 1990

This is the ninth of a series of happenings to me during my lifetime. It occurred a number of years after I had graduated and gone to work for the United States Department of Agriculture in Washington and the Bureau of Agricultural Economics. They seemed to want more and more information about the operation of Farmer's Elevators in the spring wheat states, the Farmers Cooperative Elevator Associations. And so, after I had been with them two or three years they asked me to organize a research program to get that information on how these Farmer's Elevators operated. I went up to Minneapolis and out into the field, and during that summer I contacted about 100 of the very best Farmer's Cooperative Elevators in the states of Northwest Minnesota, North Dakota, South Dakota, and Montana. And I got a great deal of information with regard to their operations. It was a five-year study, and we were taking the same data each year to see what changes were being made. The study was in cooperation with the marketing sections of each of the state colleges in Minnesota, North and South Dakota, and Montana. And so, each year as I travelled around to the different elevators, I had with me a representative from the state marketing division so they would be advised as well.

I'd gotten a great deal of information on the hedging operations of these Farmer's Elevators because the government was very much interested. And as rapidly as we could assemble the data that I got during the summer, I would write up a little short bulletin describing what was being done in the various types of operation. One of the subjects they were particularly interested in was the hedging operations. That is the buying and selling of grain futures to offset the buying and selling of actual grain at the elevator. One of these had to do with the hedging operations on stored wheat. This was an operation that is more or less done only in the spring wheat area. What happens is the farmer in the fall isn't satisfied with a price he could get for his wheat at that time so he delivers the wheat to the Farmer's Elevators and takes storage tickets for it. Then, sometime later, when he's satisfied with the price one way or another, he brings in the storage tickets and he sells the grain to the elevator. Well in this case and in many cases throughout the area, the amount of grain that was placed under storage tickets was way beyond the capacity of an elevator to store it. In other words, most of those elevators would only hold a 35,000 or 40,000 bushels of grain, and some of those bins were already occupied. So, when the farmer comes into the elevator and says he wants to store his grain, the elevator manager gives him storage tickets. But when the elevator has no room so he has to ship it out. He ships it to Minneapolis or Duluth and sells it. And so, when he sells it out he buys a future. Now, when the farmer comes in to sell his grain, the elevator buys the grain and then he sells the hedge so that there's a balancing of the buying and selling of the cash grain, and the

selling and buying of the hedge. And the difference in price usually takes care of the cost of a few cents per bushel the elevator association has to have to take care of their expenses. That operation is just the opposite of when the farmer comes in and sells his grain immediately. In that case the elevator man buys the grain and sells the future. And when the grain gets into Minneapolis or Duluth in carload lots, he sells the actual grain and buys back the future. So that balances out there. But the hedging operation on stored wheat, as you can see, is almost opposite the way it is handled.

Well, I didn't think there would be any problem with it. I studied it very carefully out in the field, checked with many, many elevators, and when the data was put together I wrote up a little bulletin on it and submitted it into the department. It was thoroughly factual, but you might say this kind of operation was peculiar to the spring wheat area. I went back out into the field and I was at, I guess Fargo, North Dakota when I got a telephone call from my supervisor in Washington, and he said, "Bill, we've got trouble." I said, "What?" He said, "The editor-in-chief of the Bureau of Agricultural Economics got ahold of your bulletin on hedging operation of stored wheat and he's torn it all to pieces, said you don't know what you're talking about, you're all mixed up, and he's taken the thing to the chief of the Bureau of Agricultural Economics and really gave you a going over. And the bureau chief was all worked up about it, talking about transferring you to other work because you weren't capable of doing that job."

Well, I got into Washington as soon as I could by train, and that morning my immediate chief and I went to see our division chief, who was next above my chief. He was all worked up about it too. He said, "Bill, that document of yours is just plain trash. We've never heard of any such a thing as that and we don't think it's correct, and we don't want that to be published under any circumstance." And I looked at him and said, "Chris (his name was Christiansen), I just want to tell you one thing. That document is correct." "Well," he said, "you're going to have to prove that to us." And I said, "I will." But when I found out so much sentiment had been cooked up against the document, it was clear to me just a plain explanation or statement by me would probably not be sufficient. So I tried to think of how we could get somebody who was at least neutral who could corroborate what I had put down. Finally it occurred to me that in the government service (not a part of the department but in the federal government) was an agency called the Grain Futures Administration. It occurred to me maybe the head of that organization would know something about this operation. So, I called him, and he said, "Oh, yeah, we know all about that." And he said, "It's almost backwards from what they do on cash grain, isn't it?" And I said, "Yes." "Well," I said, "I wrote this up and now the Chief of the Bureau and the chief editor for the department says there is no such thing." He said,

"Oh, well, they just don't know." I said, "Well, they're going to have a meeting tomorrow afternoon at two o'clock and they're going to put me right on the griddle for having written this thing. Is there any possibility you could come over and corroborate what I had written? I'll give you a copy and you can study it over and see if I've put it down right."

He came over the next morning, or toward noon. And I gave him a copy, he went through it and said, "That's a perfectly clear statement of what they do. We know all about it, it's perfectly legal, but it does seem a little bit strange to some people." Then it occurred to me that both the chief of the Bureau of Agricultural Economics (which was the top man there) and the chief of my division, they both came from Nebraska, both were graduates from the University of Nebraska and they don't handle spring wheat to any extent; they have corn and oats and that type of grain, and it's all a cash grain deal. They don't use future trading to any extent. I began to realize why they couldn't understand what was in this document. Anyway, this man from the Grain Futures Administration said, "Well, you're absolutely correct." I said, "Is there any possibility you could meet with us this afternoon? I'm going to need some help." He said, "Sure, sure, I'll stay."

So he stayed over and came into the meeting the same as everybody there. And the editor-in-chief for the Department of Agriculture, S.W. Mendum, was there and the chief of the Bureau of Agriculture Economics called on him. He tore my bulletin to pieces, just ridiculed it, and made some very nasty remarks about the man who had written it, to the extent that I didn't know what I was talking about and I wasn't capable of understanding what was going on. Well, I couldn't say anything right at that moment. The bureau chief made some nasty remarks, and my division chief went right along with it, and so we saw what the deal was. Well, finally they called on me and I gave them a very fair statement of what was done by the elevators in handling this stored grain. And it was of course exactly what I had put down. I said, "This is what they do, this is the way it's being handled, and I'm sorry if you don't understand it, but I can understand you are not familiar with it because you don't handle spring wheat where you came from." Then they called on the man from the Grain Futures Administration. And he said, "Well, I went over this bulletin Kuhrt has written, and he's laid it out very plainly. This is exactly what they do. I couldn't find anything wrong with his statements." Well, of course that completely frustrated what had been said and done. And Mendum, the editor-in-chief, jumped up from his chair with a copy of my document in his hand, slammed it down on the table and walked off. Well, of course, that embarrassed the chief of the bureau and it embarrassed the chief of the division, and after a little bit of conversation the bureau chief said, "Well, Kuhrt, I guess we owe you an apology. We just couldn't comprehend what was going on, we thought you just didn't understand. But you understand it without

any doubt." And he said, "You got corroboration here, and that's a new one to us, and we're glad to have it. But we went off half cocked against you." And my division chief, Christiansen, he just did about the same thing and apologized. And then as my immediate chief Andrew W. McKay and I walked back to my office, he said to me, "Bill, you really rammed that down their throat, didn't you." I said, "Well, I didn't intend to but I had to tell the truth, and I knew that the document was correct and all I needed was a little bit of corroboration." Well, that was the end of that. They never questioned any more of my documents as I put them through. I finished the study as far as I could go until my work was transferred over to the Federal Farm Board.

And that finished that. Thank you very much. Quid erat zu erzhalen. That which was to be told.